

The President's Daily Brief

4 August 1969

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FOR THE PRESIDENT ONLY

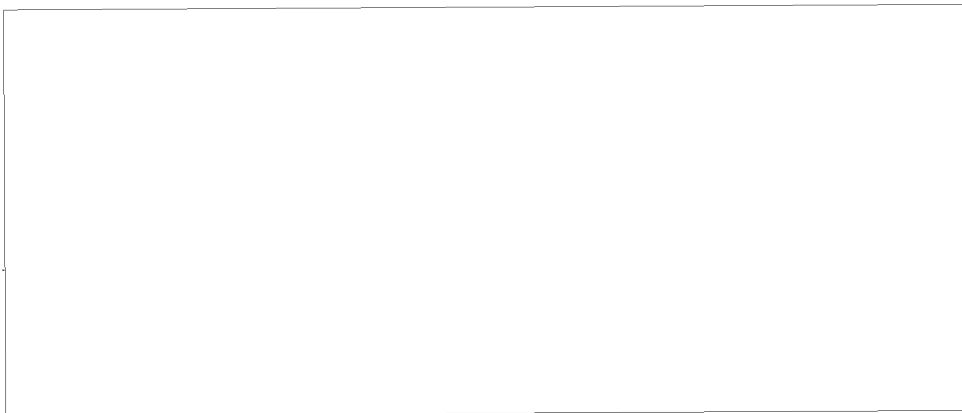
I. MAJOR PROBLEMS

EUROPE

Fanfani's "exploratory mandate" was solely to determine whether there would be sufficient parliamentary support if the Christian Democrats made another attempt to form a one-party minority government. Saragat apparently had no intention of naming Fanfani to form such a government and on hearing his positive report yesterday the President asked Prime Minister Rumor to make a new attempt. Despite their early opposition to such an arrangement, the orthodox Socialists now evidently have agreed not to oppose such a government provided it is considered a temporary arrangement looking toward formation of another center-left coalition in the fall. The Unitary Socialists will support the government and the small Republican Party plans to abstain.

VIETNAM

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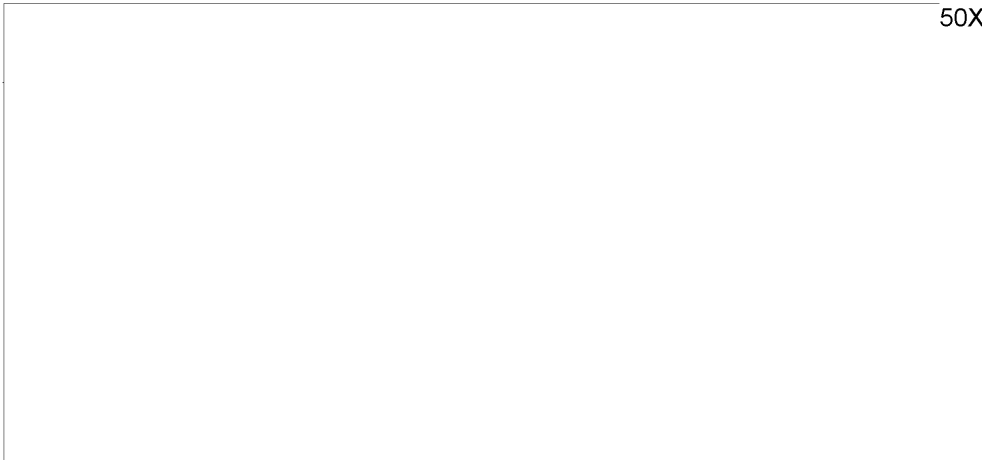


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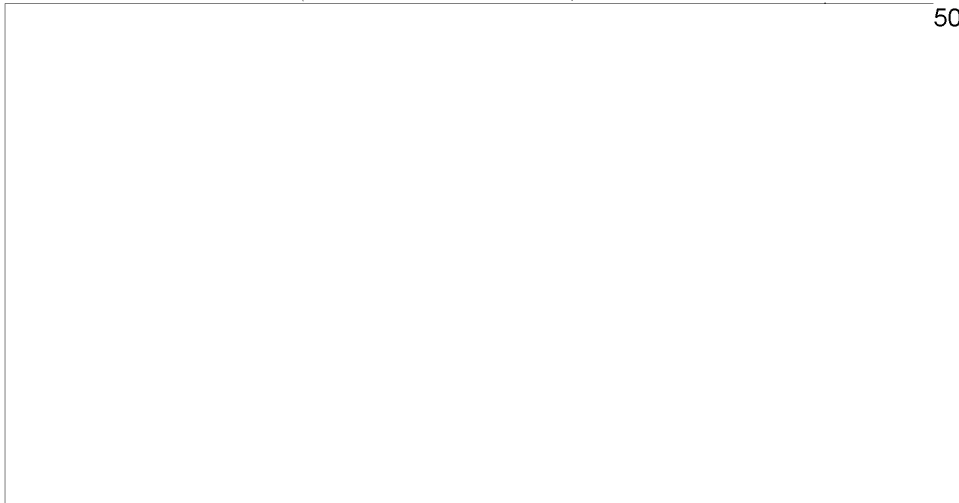
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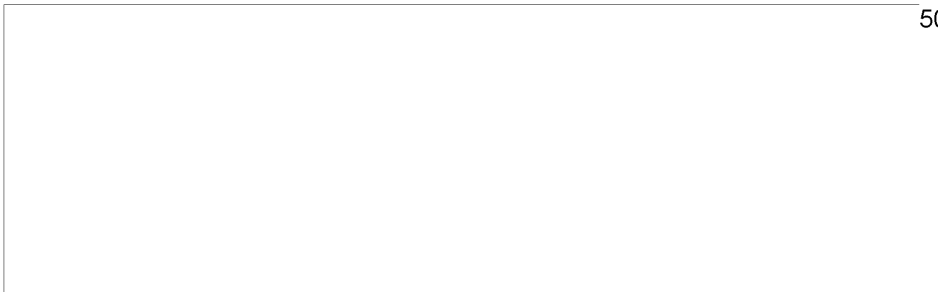


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II. OTHER IMPORTANT DEVELOPMENTS

EL SALVADOR - HONDURAS

Although all its troops have now left Honduras, the problems resulting from earlier Salvadoran migration have not been resolved.

Furthermore, leftist elements in both countries, quiescent during the fighting, are now trying to undermine public confidence in their governments. Honduran leftists are criticising President Lopez for lack of preparedness and for failure to withstand the Salvadoran assault. Salvadoran leftists are carping because President Sanchez withdrew under OAS pressure without effective guarantees for protection of their nationals in Honduras. They have questioned whether the Salvadoran Army really won anything.

Both presidents were in a shaky position before the invasion, and in its aftermath the spirit of national unity called forth by the emergency may dissipate so rapidly they will both be worse off than before.

COMMUNIST CHINA - USSR

A French press report quoting "informed Chinese sources" claims that a Chinese delegation is now in Moscow to negotiate a new trade agreement. The agreement, the first in two years, will probably provide for an exchange of Chinese agricultural and consumer goods for Soviet industrial products.

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Despite their political differences, the two countries have continued to trade, and even this past year, when there was no formal agreement, a minimum level of trade (about \$100 million) was carried out.

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